Constraints on Export Pricing

In setting their prices, exporters must also include international constraints on pricing such as: anti-dumping legislation, resale price maintenance legislation, price ceilings and price level reviews, international transportation costs, intermediaries in elongated international channels of distribution, and multinational account servicing.

Anti-dumping legislation

Dumping is defined as selling goods in a foreign market at a price below the market price in the producer's home country. This practice is generally viewed as unfair, and the World Trade Organization (WTO), the successor to the General Agreement on Tariffs and Trade (GATT), to which Canada, the United States and Mexico are all signatories, allows countries to impose penalty tariffs (anti-dumping duties) on imported goods found to be unfairly priced and causing injury to domestic producers. Anti-dumping duties raise the market price of the imported goods, thus offsetting any competitive advantage they might have previously enjoyed.

Subsidies in international trade

International trade can be influenced and distorted by government subsidies. For a company, subsidies can provide a tangible competitive advantage in international trade, but they tend to be viewed as unfair trading practices — particularly if they are focussed on export production or specific industries or companies, and are therefore not part of "generally available" government programs. Exported goods which have benefitted from government subsidies in their country of origin can harm domestic industries in the importing country. Accordingly, many countries, including Canada and the United States, have developed trade rules which permit the levying of penalty tariffs (countervailing duties) on imported goods judged to have been subsidized by foreign governments. These duties are designed to remove the cost (and thus the price) advantage gained as a result of the subsidies.